

August 17, 2005

Ms. Kristi Izzo, Secretary  
N.J. Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Re: In the Matter of the Petition of New Jersey  
Natural Gas and the City of Asbury Park for  
Approval of a Targeted Revitalization  
Infrastructure Program Pilot  
Docket Number GR05080717

Dear Ms. Izzo:

Please accept on behalf of New Jersey Natural Gas (NJNG) and the City of Asbury Park this letter petition seeking approval from the New Jersey Board of Public Utilities (BPU or Board) to implement a Targeted Revitalization Infrastructure Program (TRIP), pursuant to N.J.A.C. 14:3-10.1. NJNG proposes to initially implement this program on a pilot basis in Asbury Park for the Waterfront Redevelopment Area. Attached to this letter petition is the Verification of Terence Reidy, City Manager for Asbury Park supporting this joint filing. By separate letter dated July 26, 2005, NJNG formally withdrew the letter petition seeking approval of a TRIP pilot program originally filed in February 2003 in Docket No. GR03020106.

Enclosed for filing is an original petition and one set of exhibits. Due to the voluminous and cumbersome nature of these exhibits, we are providing one full set each to the following: Eric Wilkinson, NJBPU; Jacqueline Galka, NJBPU; Seema Singh, Ratepayer Advocate and Felicia Thomas-Friel, DRA. If additional copies of the supporting documentation are needed, please contact NJNG.

#### Background

The State of New Jersey is pursuing a comprehensive Smart Growth initiative, designed to, among other things, limit sprawl, promote redevelopment, and foster smarter development activities. NJNG supports this commitment to Smart Growth as an effort to successfully plan for future growth while protecting both the environment and the quality of life in this state. The redevelopment of urban areas is one aspect of many potential Smart Growth activities, and is one in which NJNG believes it can play an important role. NJNG's proposed pilot program provides for important infrastructure investments designed to spur community redevelopment while maintaining safe and reliable service.

The pilot program proposed herein focuses initially on Asbury Park for several reasons. First, Asbury Park is a targeted community qualifying for Smart Growth redevelopment incentives based on its status as an Urban Enterprise Zone, an Urban Aid Municipality and the involvement there of the New Jersey Redevelopment Authority. Additionally, the Department of Community Affairs has taken an important step to promote community investment by opening an office in Asbury Park to facilitate the processing of permits and accelerate redevelopment activities. Asbury Park has recently approved a Waterfront Redevelopment plan that highlights the commitment towards redevelopment efforts in line with the mandates of Smart Growth and, at this time, NJNG seeks TRIP approval for work to be done in that area. Importantly, on May 18, 2005, the State Planning Commission approved Asbury Park's petition for plan endorsement, the first such approval to be given in the State.

#### NJNG's Commitment to Asbury Park

The longstanding relationship between NJNG and Asbury Park has been further strengthened in the last few years as we continue to partner with Asbury Park's leaders and constituents to improve the quality of life and economic conditions in that community. In addition to maintaining an office in the downtown area and continuing to offer the benefits of a special Economic Development tariff to spur development, NJNG is actively involved with the Asbury Park Chamber of Commerce and Urban Enterprise Zone Board. For the past six years, the Company has partnered with Interfaith Neighbors, in a project through which new and refurbished houses are made available to eligible families at below market cost, offering an opportunity for home ownership. For more than a decade, NJNG has sponsored Project Venture, a program through which employees provide mentoring activities for middle school students from the Asbury Park school system. We have also made contributions of new computer equipment to the local library, providing high-speed Internet access, through our Libraries-on-Line program. As evidenced by the various activities and programs undertaken, NJNG's commitment to Asbury Park is ongoing and substantial. Establishing a partnership to support further redevelopment by way of a TRIP filing is the logical next step.

#### Proposed Asbury Park Investments

For the first phase of the TRIP pilot, for which Board approval is being sought, NJNG will be relocating our facilities within the designated Waterfront Redevelopment area (Exhibit E) in the City of Asbury Park in order to support the anticipated growth and encourage the ongoing redevelopment within Asbury Park. Based on the map that was provided to us by the City of Asbury Park and is attached to this petition, no areas within a "Critical Environmental Site" as designated by the New Jersey Department of Environmental Protection will be impacted by the planned work. The map indicates such a designation immediately along the beach and waterfront only.

Our existing infrastructure consists mostly of low pressure cast iron mains in varying size and types servicing the existing residential and commercial community in that area (approximately 30 homes/businesses). The current low pressure system in that area would not be sufficient for the anticipated growth.

NJNG was given a plan showing the maximum build-out of the redevelopment area from Schoor DePalma titled “Asbury Park Redevelopment Block Phasing Map”, dated September 27, 2002 (Exhibit F). That plan shows the maximum building height (stories), maximum commercial area (square feet), and the maximum number of dwelling units per block within the entire Waterfront Redevelopment area. Using this plan, NJNG estimated the maximum loading that may be used and designed a gas system that would satisfy this maximum demand (Exhibit H).

Overall utility infrastructure improvement plans were completed by Schoor DePalma and test pits were subsequently performed by Asbury Partners, the master developer of the redevelopment project (Exhibits G(1) and (2)). From these test pits, the impacted areas were determined. The infrastructure improvement work within Phase I of the redevelopment area is demonstrated on Exhibit G(1) showing the phasing for the infrastructure improvements. We developed our gas main relocation drawings based on that information along with historical data on existing customer usage. The drawings in Exhibit F show what mains are required to be retired and what size and type mains are to replace them. Using the master design of the development area, the new mains being installed are properly sized to serve anticipated future development within these areas. The existing facilities in that area are mainly comprised of low-pressure cast iron main, and its associated steel service lines previously installed. Although the facilities currently provide safe, reliable and adequate service to the targeted area, the redevelopment activities of Asbury Park require that these services be upgraded to a high-pressure system built with state-of-the-art plastic materials, similar to that utilized in all of the Company’s newer installations. The upgrades are necessary to increase the capacity of the systems to support increased demands contemplated under the city’s redevelopment plans. In addition to providing needed capacity increases, the new facilities will continue to maintain the overall safety and reliability of the gas system in the areas. Finally, it is important to note that the work involved must be completed prior to customer requests for service and, as such, the project provides an ideal opportunity to implement the TRIP process.

This is a multi-phase project, based on the Waterfront Redevelopment Plan. It is anticipated that the initial work for Phase I will take approximately six to eight weeks. The anticipated cost for the entire Redevelopment Area is approximately \$875,000 with the expected costs associated with Phase I to be approximately \$372,955. During the course of Phase I of this pilot program, NJNG will maintain detailed records of the expenditures related to the infrastructure investments are made. That information will be provided to the Board in a filing pursuant to N.J.A.C. 14:3-10.5, seeking BPU approval for the actual TRIP charge to be assessed for recovery of these infrastructure investments.

### NJNG's TRIP Proposal

Through this letter petition, NJNG is seeking initial BPU approval of a pilot TRIP program through which NJNG may recover costs of infrastructure installed pursuant to the guidelines and requirements of N.J.A.C. 14: 3-10.1 et seq.

Additionally, pursuant to N.J.A.C. 14:3-10.4, NJNG is making this filing in conjunction with Asbury Park and included as part of this letter petition is the Verification of Terence Reidy, City Manager of Asbury Park. The following documents have been provided in support of this request.

Exhibit A	A copy of the Endorsement from the State Planning Commission for the Asbury Park Plan
Exhibit B	Zoning Map of Asbury Park showing all Planning Areas
Exhibit C	1978 Asbury Park Master Plan with 2001 Update
Exhibit D	Zoning and relevant ordinances
Exhibit E	Asbury Park Waterfront Redevelopment Plan dated March 15, 2002 , amended March 2, 2005
Exhibit F	Asbury Park Redevelopment Phasing Map - Build-out analysis
Exhibit G(1)	Schoor-DePalma Utility Infrastructure Plan
Exhibit G(2)	Schoor-DePalma Sanitary and Storm Sewer Infrastructure Plan
Exhibit G(3)	Schoor-De Palma Infrastructure Component Report (relevant portions)
Exhibit H	One Year Work Plan for utility, with estimated costs – based on Exhibit F
Exhibit I	Asbury Park Redevelopment Block Phasing Map
Exhibit J	Draft Public Notice

As part of this filing the Company notes that the TRIP regulations appear to indicate that several months and possibly up to a year may pass between the time NJNG incurs the costs associated with the construction in support of planned redevelopment and the collection of these costs through the Company's rate charges. This recovery scenario is financially detrimental to NJNG as compared to the current procedure.

Prior to the institution of a TRIP pilot program, a request for infrastructure modifications, such as being undertaken in Asbury Park, would require the developer to reimburse NJNG for 100% of the project cost at the time of project completion. Revenue testing of the project is not part of the process since the anticipated new customers are not known currently, and may not be determined for some time. Additionally, the work being performed is timed to coordinate with other infrastructure work being done at the site in order to alleviate the possibility of conflicts. Currently, the Company capitalizes interest at a short term debt rate on any similar type projects. It is important to ensure that NJNG, as well as other companies that might eventually submit a TRIP proposal, is not

financially harmed by its effort to support the redevelopment efforts by accelerating the work prior to the receipt of any recovery. The Company therefore, requests that the Board authorize the inclusion of capitalized interest in the TRIP rate charge, for the time period between NJNG incurring the costs associated with the construction and the future effective date of the rate charge.

Included as Exhibit J is a draft of a public notice for review and approval. The notice will be published in the Asbury Park Press, Ocean County Observer and the Daily Record once a hearing date has been determined. The impact to customers that is specified in this draft notice is an estimate only.

### Conclusion

As set forth above, NJNG and Asbury Park are proposing a pilot program that provides beneficial infrastructure improvements while supporting the State's Smart Growth initiatives. Additionally, the implementation of the TRIP mechanism through this pilot program provides the parties with the opportunity to participate in the review of an innovative approach for recovering utility capital expenditures. Based on the foregoing, NJNG requests that the Board issue an order approving the pilot program and granting NJNG the relief requested herein.

Very truly yours,

Tracey Thayer  
Director, Regulatory Policy

TT:jpc

Enclosures

C: Eric Wilkinson, NJBPU (w/ attachments)  
Jacqueline Galka, NJBPU (w/ attachments)  
Seema Singh, Ratepayer Advocate (w/ attachments)  
Felicia Thomas-Friel, DRA (w/ attachments)  
Service List (w/o attachments)